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ALVORD AND ALVORD  
ATTORNEYS AT LAW  
918 SIXTEENTH STREET, N.W.  
SUITE 200  
WASHINGTON, D.C.  
20006-2973  
(202) 393-2266  
FAX (202) 393-2156

ELIAS C. ALVORD (1942)  
ELLSWORTH C. ALVORD (1964)

OF COUNSEL  
URBAN A. LESTER

November 30, 1995

Mr. Vernon A. Williams  
Secretary  
Interstate Commerce Commission  
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11303(a) are two (2) copies of a Security Agreement, dated as of November 14, 1995, a primary document as defined in the Commission's Rules for the Recordation of Documents under 49 C.F.R. Section 1177.

The names and addresses of the parties to the enclosed document are:

Debtor:	Pioneer Railcorp Equipment Co., Ltd. 1318 South Johnson Road Peoria, Illinois 61607
Secured Party:	KeyCorp Leasing Ltd. 54 State Street Albany, New York 12207

A description of the railroad equipment covered by the enclosed document is:

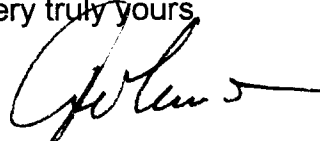
Seventy-five (75) used hopper cars bearing NW reporting marks (to be changed to ALAB) as set forth on Schedule 1 attached to the Security Agreement.

Mr. Vernon A. Williams  
November 30, 1995  
Page 2

Also enclosed is a check in the amount of \$21.00 payable to the order of the Interstate Commerce Commission covering the required recordation fee.

Kindly return one stamped copy of the enclosed document to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'R. Alvord', with a long horizontal flourish extending to the right.

Robert W. Alvord

RWA/bg  
Enclosures



Interstate Commerce Commission  
Washington, D.C. 20423-0001

12/1/95

Office Of The Secretary

Robert W. Alvord  
Alvord And Alvord  
918 Sixteenth Street, NW., Ste. 200  
Washington, DC., 20006-2973

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 12/1/95 at 11:20AM, and assigned recordation number(s). 19741.

Sincerely yours,

Vernon A. Williams  
Secretary

Enclosure(s)  
(0100873057)

\$ 21.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature

**SECURITY AGREEMENT**

**THIS SECURITY AGREEMENT** (the "Agreement" or "Security Agreement") dated as of November 14, 1995 is made by and between **PIONEER RAILROAD EQUIPMENT CO., LTD.**, an Iowa corporation having its principal place of business at 1318 South Johnson Road, Peoria, IL 61607 (the "Borrower"), and **KEYCORP LEASING LTD.**, a Delaware corporation with its principal place of business at 54 State Street, Albany, New York 12207 ("KCL").

**W I T N E S S E T H:**

1. Grant of Security Interest in the Collateral. In consideration of the loans, advances or other financial accommodations made pursuant to that certain Promissory Note in the original principal amount of \$1,560,000.00 dated as of the date hereof, together with any extensions, modifications, renewals, refinances or other restructurings thereof (collectively, the "Secured Obligations") at any time before, at or after the date hereof, made or extended by KCL to or for the account of the Borrower, directly or indirectly, as principal, guarantor or otherwise and to secure the prompt payment and performance in full when due, whether by lapse of time, acceleration or otherwise, of the Secured Obligations, the Borrower hereby grants to KCL a security interest in and acknowledges and agrees that KCL has and shall continue to have a continuing security interest in any and all right, title and interest of the Borrower in and to the collateral described on Schedule "I" annexed hereto, together with all attachments, assessments and equipment now or hereafter affixed to such collateral used in connection therewith and all proceeds or products thereof (including, without limitation, lease proceeds and claims of the Borrower against third parties for loss or damage to, or destruction of, any such collateral), (collectively, the "Collateral"). Upon payment in full of the Secured Obligations, KCL shall release its interest in the Collateral.

The Secured Obligations of the Borrower are absolute, irrevocable and unconditional under any and all circumstances whatsoever and shall not be subject to any right of set-off, counterclaim, deduction, defense or other right which the Borrower may have for any reason against any vendor, supplier, manufacturer, KCL or any other party. KCL MAKES NO (AND SHALL NOT BE DEEMED TO HAVE MADE ANY) WARRANTIES, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING WITHOUT LIMITATION, WITH RESPECT TO THE COLLATERAL, THE DESIGN, OPERATION OR CONDITION OF, OR THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE COLLATERAL OR ANY PORTION THEREOF, ITS MERCHANTABILITY OR ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE STATE OF TITLE THERETO OR ANY COMPONENT THERETO, THE ABSENCE OF LATENT OR OTHER DEFECTS (WHETHER OR NOT DISCOVERABLE), AND KCL HEREBY DISCLAIMS THE SAME AND ALL SUCH RISKS, IF ANY, ARE BORNE BY THE BORROWER.

Borrower's Initials ALB  
FOR PUEL

2. General Representations, Warranties, Covenants and Agreements. So long as any Secured Obligations or any obligation to extend any such Secured Obligations remain outstanding, the Borrower hereby represents and warrants to, and covenants and agrees with KCL that:

(a) Chief Executive Office. The Borrower's chief executive office and principal place of business and other executive offices and places of business are as set forth above or on Exhibit A. The Borrower has no executive offices or places of business other than as shown on Exhibit A and will not move or otherwise change its chief executive office or establish or maintain an executive office or place of business at a location other than as shown on Exhibit A without providing KCL with at least 30 days' prior written notice.

(b) Location of Collateral. The Collateral has been, since the date of its acquisition, and will remain, in the Borrower's possession or control or in the possession or control of its affiliates or other lessees shown on Exhibit A or to such lessees as Borrower shall hereafter lease the Collateral upon written notice to KCL within 30 days after execution of such lease (collectively, the "Permitted Lessees"). The Collateral shall be kept within the railroad system in the United States, Canada (including Quebec) and Mexico (collectively with the chief executive office shown thereon, the "Permitted Collateral Locations"). The Borrower will not hold Collateral, have Collateral

held or permit Collateral to be held at a location other than a Permitted Collateral Location without the prior written consent of KCL. In addition, the Borrower will promptly give written notice to KCL of any other new ICC or other filings of its leases on the Collateral or any other fact which would require KCL's action to assure continued perfection of the interests granted hereby. Promptly upon execution of a lease with a Permitted Lessee, Borrower shall collaterally assign its right to collect rentals on any such lease to KCL, and KCL shall be entitled to collect such rentals directly from Permitted Lessees only upon an Event of Default by Borrower hereunder.

(c) Books and Records. The books and records of the Borrower relating to the Collateral are, and will at all times be kept, at the Borrower's chief executive office.

(d) Legal Name and Trade Names. The Borrower represents and warrants that (A) its correct legal name is as shown in this Agreement, (B) it has not in the four months immediately preceding the date of this Agreement changed its name, been a party to a merger, consolidation or other change in structure and (C) it does not use, and has not at any time in the four months immediately preceding the date of this Agreement used, any trade names in the conduct of its business. The Borrower further covenants and agrees that it will not change its legal name, be a party to a merger, consolidation or other change in structure or use a trade name in its business without first giving KCL at least 30 days' prior written notice.

(e) Priority. The Borrower has good, valid and marketable title to the Collateral, and the Collateral is and will be throughout the term of this Agreement free and clear of all security interests, liens, attachments, levies, encumbrances of every kind, nature and description and whether voluntary or involuntary, and licenses for the use thereof (collectively, "Liens") except for liens, encumbrances and licenses permitted pursuant to Exhibit B (collectively the "Permitted Liens"). The Borrower will warrant and defend the Collateral against any Liens, claims and demands (other than the Permitted Liens) of all persons at any time claiming the same or any interest in the Collateral adverse to KCL. The Borrower further represents, warrants, covenants and agrees that the security interest in the Collateral granted to KCL hereunder (i) when properly perfected by filing, shall constitute a valid and perfected security interest in the Collateral and, (ii) other than the Permitted Liens, is not subject to, and that the Borrower will not grant or permit to exist, any other Liens or claims on or against the Collateral, whether senior, superior, junior, subordinate or equal to the security interest granted to KCL hereby, or otherwise.

(f) Inspection. The Borrower will, upon reasonable notice, at all times allow KCL or its representatives free access to and right of inspection of the Collateral and the books and records relating thereto and shall otherwise cooperate with and promptly respond to the reasonable requests of KCL or its representatives with respect thereto; provided, however, that prior to any default hereunder, any such access or inspection shall only be allowed during the Borrower's normal business hours and in such a manner as so not to interfere with the normal business operations of the Borrower.

(g) Perfection of Security Interest. The Borrower represents that this Agreement creates a valid security interest in the Collateral securing payment and performance of the Secured Obligations and represents or covenants that all filings and other action necessary to perfect such security interest have been taken or shall be promptly taken. The Borrower agrees to execute and deliver to KCL such further agreements and assignments or other instruments and to do all such other things as KCL may reasonably deem necessary or appropriate to assure to KCL its security interest hereunder, including such financing statements (including renewal statements), or amendments thereof or supplements thereto or other instruments as KCL may from time to time reasonably request in order to perfect and maintain the security interest granted hereunder in accordance with applicable law, to consummate the transactions contemplated hereby and to otherwise protect and assure KCL of its rights and interests hereunder. To that end, Borrower agrees that KCL may file one or more financing statements disclosing its security interest in any or all of the Collateral without the Borrower's signature thereon, and further the Borrower also hereby irrevocably makes, constitutes and appoints KCL and each of its designees as the Borrower's attorneys-in-fact with full power to sign in the name of the Borrower any such financing statements, or amendments and supplements to financing statements, renewal financing statements, notices or any similar documents which, in KCL's reasonable discretion, would be necessary, appropriate or convenient in order to perfect and maintain perfection of the security

interests granted hereunder, such power, being coupled with an interest, being and remaining irrevocable so long as any of the Secured Obligations and any commitments relating thereto remain outstanding. The power of attorney granted hereby and any other powers of attorney granted herein shall terminate upon the payment in full of the Secured Obligations.

(h) Advances by Secured Parties. On failure of the Borrower to perform any of the covenants and agreements herein contained, KCL may, at its option, perform the same and in so doing may expend such sums as KCL may reasonably deem advisable in the performance thereof, including without limitation the payment of any insurance premiums, the payment of any taxes, Liens and expenditures made in defending against any adverse claim and all other expenditures which KCL may be compelled to make by operation of law or which KCL may make by agreement or otherwise for the protection of the security hereof. All such sums and amounts so expended shall be repayable by the Borrower immediately without notice or demand, shall constitute additional Secured Obligations and shall bear interest from the date said amounts are expended at the Late Payment Rate established under the promissory note (the "Promissory Note") delivered by the Borrower to KCL on or about the date hereof (such rate being hereinafter referred to as the "Default Rate").

(i) Payment of Taxes and Charges. The Borrower will pay promptly when due all taxes, assessments, and governmental charges and levies upon or against the Collateral in each case before the same become delinquent and before penalties accrue thereon, unless and to the extent that the same are being contested in good faith by appropriate proceedings.

(j) Preservation of the Collateral; Maintenance. The Borrower will not waste or destroy the Collateral or any part thereof and will not be negligent in the care and use of any Collateral, reasonable wear and tear excepted. Without limitation, Lessee shall (i) keep the Collateral in good repair, good operating condition and working order and in compliance with manufacturer's specifications, if any, and (ii) shall replace any part of the Collateral that becomes worn out, lost, stolen, destroyed or otherwise permanently unfit or unavailable for use with a replacement part of equal value, remaining useful life and utility as the replaced part immediately preceding the replacement (assuming such replaced part is in the condition required hereby). Such replacement part shall be free and clear of Liens and shall be made a part of the Collateral.

(k) Disposition. The Borrower will not, other than in the ordinary course of business, sell or otherwise dispose of any portion of, or rights or interests in, the Collateral, except with the prior written consent of KCL. Without KCL's prior written consent, the Borrower shall not lease, sublease, assign, transfer, lend or dispose of any interest in the Collateral or permit the Collateral or any portion thereof to be used by any person or entity other than the Borrower, its employees and Permitted Lessees.

(l) Use; Compliance with Laws and Agreements. The Borrower shall use the Collateral lawfully and only in a manner for which it was designed and intended and so as to subject it only to ordinary wear and tear and shall comply with all applicable laws. The Borrower shall immediately notify KCL in writing of any existing, pending or threatened investigation, inquiry, claim or action by any governmental authority in connection with any applicable law or which could adversely affect the Collateral or the rights and remedies of KCL hereunder. Further, the Borrower shall make such alterations, additions, modifications or improvements to the Collateral as may be required from time to time to meet the requirements of applicable law. Except as otherwise permitted hereby, the Borrower shall not make any alterations, additions, modifications or improvements to the Collateral or any portion thereof without KCL's prior written consent, such consent not to be unreasonably withheld. The Borrower will comply with the terms and conditions of any contracts, licenses, leases, easements, right-of-way agreements or other agreements binding upon the Borrower or affecting the Collateral and any orders, ordinances, laws or statutes of any city, state or other governmental entity, department or agency having jurisdiction with respect to any premises on which Collateral may be located or the conduct of business thereon.

(m) Corporate Matters. (i) The Borrower is a corporation duly incorporated in Iowa and

validly existing under the laws of the state in which its chief executive office is located (as set forth on Exhibit A), has full authority and power to execute this Agreement, the Promissory Note (defined above) and all other documents contemplated hereby and thereby and to be delivered in connection herewith and therewith (collectively, the "Loan Agreements") and is in good standing in its state of incorporation and in each state in which it is qualified to do business or the nature of its operations requires it to be so qualified; (ii) the execution, delivery and performance of the Loan Agreements (I) have been duly authorized by all action required by the Borrower or any other person or entity and all required consents have been obtained and (II) will not conflict with, violate or result in a breach of or default under any of the terms and provisions of the organizational documents of the Borrower, its by-laws (if any), any credit agreement, indenture, lease, security agreement, mortgage, deed of trust, guaranty or other document or agreement to which the Borrower is a party or by which the Borrower or its property may be bound or affected, or any applicable law; (iii) there are no pending actions or proceedings to which the Borrower is a party, and there are no other pending or threatened actions or proceedings of which the Borrower has knowledge or circumstances existing for any actions against the Borrower, before any court, arbitrator or administrative agency which, either individually or in the aggregate, would adversely affect the financial condition of the Borrower or the ability of the Borrower to perform its obligations hereunder; (iv) the Borrower is not in default under any obligation for the payment of borrowed money, for the deferred purchase price of property or for the payment of any rent which, individually or in the aggregate, would have the same such effect; (v) under the laws of the state(s) in which the Collateral is to be located, it is the intention of the parties hereto that the Collateral consist solely of personal property and not fixtures for purposes of Article 9 of the Uniform Commercial Code and (vi) any financial information provided to Lender by Borrower with respect to Borrower or any affiliate or related party is true and correct in all material respects.

(n) Financial Statements. So long as any Secured Obligations remain outstanding (or KCL shall have any obligation to make advances to Borrower), Borrower shall furnish to KCL, as soon as available and in any event within sixty (60) days after the end of each quarterly period (except the last) of each fiscal year, and, as soon as available and in any event within one hundred and twenty (120) days after the last day of each fiscal year, financial statements of the Borrower and each guarantor or other party responsible (in each case, a "Responsible Party") for payment of the Secured Obligations, in each case in the form customarily available and prepared by a firm of independent, certified public accountants; provided that if such financial statements are not customarily made available or are not prepared by a firm of independent, certified public accountants, Borrower shall prepare or cause to be prepared a statement with respect to each Responsible Party setting forth a list of assets and liabilities and appropriate detail with respect thereto and a statement of income for such Responsible Party. All financial information provided hereunder shall be certified by the Responsible Party to be true, correct and accurate in all material respects. Borrower shall also furnish such other financial reports, information or data as KCL may reasonably request from time to time.

(o) Tax Matters. The Borrower has filed all required federal, state and local tax returns and has paid all taxes shown on such returns as they become due. There are no (i) material federal, state or local tax liabilities of the Borrower due or to become due for any tax year whether incurred in respect of or measured by the income of the Borrower which are not properly reflected in the financial statements previously delivered to KCL by the Borrower, and (ii) material claims pending or, to the knowledge of the Borrower, proposed or threatened against the Borrower for past federal, state or local taxes, except those, if any, as to which proper reserves are reflected in the financial statements previously delivered to KCL by the Borrower.

(p) Status of Collateral as Personal Property. It is the intention of the parties hereto that the Collateral is and shall remain personal property for purposes of Article 9 of the Uniform Commercial Code, is not now a fixture, and, to the extent any portion of the Collateral becomes a fixture, Borrower will deliver, or cause to be delivered, to KCL all instruments and documents, including, without limitation, waivers and subordination agreements by any landlords or mortgagees, requested by and satisfactory to KCL to preserve and protect the primary security interest granted herein against all persons.

(q) Action on Behalf of Borrower. In its discretion, KCL may, upon a default hereunder, in its name or the Borrower's name or otherwise, notify any account debtor or obligor of any account, contract, document, instrument, chattel paper or general intangible included in the Collateral to make payment to or perform for the benefit of KCL, demand, sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for, or make any compromise or settlement deemed desirable by KCL with respect to, any Collateral, and/or extend the time of payment, arrange for payment in installments, or otherwise modify the terms of, or release, any Collateral or Secured Obligations, all without notice to or consent by the Borrower and without otherwise discharging or affecting the Secured Obligations, the Collateral or the security interest granted herein.

(r) Expenses. The Borrower will pay or cause to be paid any sums, costs, and expenses which KCL may pay or incur pursuant to the provisions of this Security Agreement and for documentation fees and in perfecting, defending, interpreting or protecting the security interest granted herein or in enforcing payment of the Secured Obligations or otherwise in connection with the provisions hereof, including but not limited to court costs, collection charges, travel expenses, and reasonable attorneys' fees, all of which, together with interest at the Default Rate then payable on any of the Secured Obligations, shall be part of the Secured Obligations and be payable on demand.

(s) KCL Assignment. In its sole discretion, KCL may, at any time and from time to time, assign, transfer or deliver to any transferee of any Secured Obligations, any Collateral, whereupon KCL shall be fully discharged from all responsibility and the transferee shall be vested with all powers and rights of KCL hereunder with respect thereto, but KCL shall retain all rights and powers with respect to any Collateral not assigned, transferred or delivered.

(t) Insurance. The Borrower, at its sole cost and expense, will insure the Collateral in the name of and with loss or damage payable solely to KCL as its interest may appear, and against such risks (including, without limitation, against risk of fire, theft, loss, destruction, collision, liability and other risks reasonably required by KCL), with insurance companies rated "A" or better by A.M. Best, and in such amounts as may be required by KCL from time to time but not less than the balance outstanding under the Promissory Note (all such policies providing thirty (30) days' prior written notice of cancellation to KCL), and the Borrower will deliver to KCL the original or duplicate policies, or certificates or other evidence satisfactory to KCL attesting thereto, and the Borrower will promptly notify KCL of any loss or damage to any Collateral or arising from its use.

3. Loss Or Damage; Release of Collateral. Borrower shall bear the entire risk of loss, theft, damage, destruction or disappearance of the Collateral (a "Loss") from any cause whatsoever, and no Loss shall relieve the Borrower of its obligations under the Secured Obligations. In the event of any Loss, the Borrower shall immediately notify KCL of such Loss and shall, at KCL option and within ten (10) days of the Loss: (a) repair the Collateral; (b) replace the Collateral, or (c) pay to KCL all sums due and owing, including, without limitation, the unpaid principal balance of the Secured Obligations, plus accrued interest and late payment charges, plus any other sums due and owing KCL under or with respect to the Secured Obligations. With respect to subsections (a) and (b), Borrower shall not be deemed in default so long as such repair or replacement is proceeding according to the rules set forth by the Association of American Railroads ("AAR").

4. Events of Default. The following shall constitute defaults hereunder, which without demand, shall immediately cause an acceleration of all amounts due under the Loan Agreements:

(a) Default on Promissory Note. A default shall have occurred and be continuing under the Promissory Note or any other Loan Agreement after the expiration of all applicable grace and cure periods;

(b) Nonpayment. Failure by the Borrower to make payment hereunder within ten (10) days after written notice from KCL that the same became due and payable;

(c) Misrepresentation. Any representation or warranty made by the Borrower herein, or in

any statement or certificate furnished to KCL hereto, or in connection herewith, shall be false or misleading, in any material respect;

(d) Noncompliance. Failure by the Borrower to comply with any of the terms and conditions of this Security Agreement;

(e) Inability to Pay Debts. Borrower fails to pay debts generally as they become due; or makes an assignment for the benefit of creditors;

(f) Bankruptcy. The commencement of any bankruptcy, receivership, liquidation, insolvency or similar proceeding by or against the Borrower or any of Borrower's property; or the appointment of a receiver, trustee, liquidator, custodian, receiver, or trustee of the Borrower for the whole or a substantial portion of the Borrower's property;

(g) Prohibited Transfer. The receipt by KCL of a notice to creditors with regard to a bulk transfer by the Borrower pursuant to Article VI of the Uniform Commercial Code;

(h) Adverse Change in Financial Condition. A material adverse change in the financial condition of Borrower;

(i) Guarantor Matters. The death, business failure or dissolution of any guarantor of any of the Secured Obligations;

(j) Liens. An additional lien attaches to the Collateral or the Collateral becomes subject to material risk of seizure or forfeiture;

(k) Defaults under Other Agreements. An uncured default under any other lease, loan agreement or credit facility between the Borrower and KCL or an uncured default under any other lease, loan agreement, credit facility or other agreement for the payment of money as a result of which default an acceleration occurs;

(l) Judgments. Failure to satisfy within thirty (30) days of demand any final judgment rendered against the Borrower by any court of competent jurisdiction where the judgment is material in amount as to the Borrower or materially impairs the financial or business condition of the Borrower;

(m) Intentional Hindrance. The Borrower shall have concealed, removed or permitted to be concealed or removed, any part of the Collateral with the intent to hinder, delay or defraud its creditors or any of them or made or suffered a transfer of any of the Collateral which is fraudulent under any bankruptcy, fraudulent conveyance or similar law; or shall have suffered or permitted, while insolvent, any creditor to obtain a Lien upon any of the Collateral through legal proceedings or distraint which is not vacated within thirty (30) days from the date thereof;

(n) Failure of Liens. Any of the Liens created or granted hereby, or intended to be granted or created hereby, to KCL shall fail to be valid, first priority perfected Liens subject to no prior or equal lien; or

(o) Seizure, Etc.. Any levy, seizure, attachment, condemnation, forfeiture or other proceeding shall be brought against or with respect to the Collateral which is not released or dismissed within thirty (30) days.

An Event of Default described in subsections (c), (d) and (j) (but only with respect to the attachment of an additional lien in (j)) may be cured by Borrower if, within ten (10) days after the earlier to occur of (i) actual knowledge of Borrower of such failure of performance or (ii) written notice from KCL of such failure. Borrower effects cure or commences cure within such time and is diligently and continuously pursuing (in the reasonable discretion of KCL)

available remedies to cure such failure of performance, and cures same within a thirty (30) day period after the end of the initial ten (10 ) day period provided herein.

5. Remedies.

(a) General Remedies. Upon the occurrence of a default hereunder (and subject to the applicable cure periods) and at any time thereafter, KCL shall have in addition to the rights and remedies provided herein, in the Loan Agreements or by law, the rights and remedies of a secured party under the Uniform Commercial Code under the laws of the State of New York (the "UCC") (regardless of whether the UCC is the law of the jurisdiction where the rights and remedies are asserted and regardless of whether the UCC applies to the affected Collateral), and further KCL may with or without judicial process or the aid and assistance of others (i) enter on any premises on which any of the Collateral may be located and, without resistance or interference by the Borrower, take possession of the Collateral, (ii) dispose of any Collateral on any such premises, (iii) require the Borrower to assemble and make available to KCL at its own expense any Collateral at any place and time designated by KCL which is reasonably convenient to both parties, (iv) remove any Collateral from any such premises for the purpose of effecting sale or other disposition thereof, (v) without demand and without advertisement, notice, hearing or process of law, all of which the Borrower hereby waives to the extent permitted by law, at any place and time or times, sell and deliver any or all Collateral held by or for it at public or private sale, by one or more contracts, in one or more parcels, for cash, upon credit or otherwise, at such prices and upon such terms as KCL deems advisable, in its sole discretion, provided that said disposition complies with any and all mandatory legal requirements, (vi) lease all or any portion of the Collateral on such terms and conditions as KCL in its sole discretion may determine. In addition to all other sums due KCL or any Lender hereunder, the Borrower shall pay KCL all reasonable costs and expenses incurred by KCL, including reasonable attorneys' fees and court costs, in obtaining or liquidating the Collateral, in enforcing payment of Secured Obligations, or in the prosecution or defense of any action or proceeding by or against KCL or the Borrower concerning any matter arising out of or connected with this Security Agreement, the Collateral or the Secured Obligations, including without limitation any of the foregoing arising in, arising under or related to a case under the United States Bankruptcy Code. To the extent the rights of notice cannot be legally waived hereunder, the Borrower agrees that any requirement of reasonable notice shall be met if such notice is personally served on or mailed, postage prepaid, to the Borrower in accordance with the notice provisions hereof at least 10 days before the time of sale or other event giving rise to the requirement of such notice. KCL shall not be obligated to make any sale or other disposition of the Collateral regardless of notice having been given. To the extent permitted by law, KCL may be the purchaser at any such sale. To the extent permitted by applicable law, the Borrower hereby waives all of its rights of redemption from any such sale. Subject to the provisions of applicable law, KCL may postpone or cause the postponement of the sale of all or any portion of the Collateral by announcement at the time and place of such sale, and such sale may, without further notice, to the extent permitted by law, be made at the time and place to which the sale was postponed or KCL may further postpone such sale by announcement made at such time and place.

(b) Designation and Authorization. To effectuate the terms and provisions hereof, the Borrower hereby designates and appoints KCL and each of its designees as attorneys-in-fact of the Borrower, irrevocably and with power of substitution, with authority, after the occurrence of a default, to: endorse the name of the Borrower on any notes, acceptances, checks, drafts, money orders, instruments or other evidences of Collateral that may come into KCL's possession; sign the name of the Borrower on any invoices, documents, drafts against and notices to account debtors or obligors of Borrower, assignments and requests for verification of accounts; execute proofs of claim and loss; execute endorsements, assignments of other instruments of conveyance or transfer; adjust and compromise any claims under insurance policies or otherwise; execute releases; and do all other acts and things necessary or advisable in the sole discretion of KCL to carry out and enforce this Security Agreement or the Secured Obligations. All acts done under the foregoing authorization are hereby ratified and approved, and neither KCL nor any designee or agent thereof shall be liable for any acts of commission or omission, for any error of judgment or for any mistake of fact or law. This power of attorney being coupled with an interest is irrevocable while any Secured Obligations shall remain unpaid.

(c) Access. In addition to the rights and remedies hereunder, upon the occurrence of a default and during the continuance thereof, KCL shall have the right to enter and remain upon the various premises of the Borrower without cost or charge to KCL, and use the same, together with materials, supplies, books and records of the Borrower for the purpose of collecting and liquidating the Collateral, or for preparing for sale and conducting the sale of the Collateral, whether by foreclosure, auction or otherwise. In addition, KCL may remove the Collateral, or any part thereof, from such premises and/or any records with respect thereto, in order to effectively collect or liquidate the Collateral. Further, upon the occurrence and during the continuance of a default and upon request of KCL, the Borrower will assemble the Collateral, or such portion as KCL may request, and make it available to KCL at a place and time as designated by KCL which is reasonably convenient to both parties.

(d) Insurance. The Borrower hereby authorizes KCL, upon the occurrence and during the continuation of any default hereunder, at KCL's option to adjust, compromise and settle any losses under any insurance afforded, and the Borrower does hereby irrevocably constitute KCL and each of its designees, as its attorneys-in-fact, with full power and authority, upon the occurrence and during the continuation of any default hereunder, to effect such adjustment, compromise and/or settlement and to endorse any drafts drawn by an insurer of the Collateral or any part thereof and to do everything necessary to carry out such purposes and to receive and receipt for any unearned premiums due under policies of such insurance; but unless KCL elects to adjust, compromise or settle losses as aforesaid, such insurance proceeds shall be subject to the lien and security interest of KCL hereunder.

(e) Nonexclusive Nature of Remedies. Failure by KCL to exercise any right, remedy or option under this Agreement or any other agreement between the Borrower and KCL or provided by law, or delay by KCL in exercising the same, shall not operate as a waiver; no waiver hereunder shall be effective unless it is in writing, signed by the party against whom such waiver is sought to be enforced and then only to the extent specifically stated. To the extent permitted by law, KCL nor any party acting as attorney for KCL, shall be liable hereunder for any acts or omissions or for any error of judgment or mistake of fact or law other than its gross negligence, willful misconduct or unlawful conduct hereunder. The rights and remedies of KCL under this Agreement shall be cumulative and not exclusive of any other right or remedy which KCL or the Lenders may have.

6. Application of Proceeds. Upon the occurrence, and during the continuance, of a default hereunder, any payments in respect of the Secured Obligations and any proceeds of the Collateral, when received by KCL in cash or its equivalent, will be applied first to costs of collection and, thereafter, in reduction of the Secured Obligations in such order and manner as KCL may direct in its sole discretion, and the Borrower irrevocably waives the right to direct the application of such payments and proceeds and acknowledges and agrees that KCL shall have the continuing and exclusive right to apply any and all such payments and proceeds in KCL's sole discretion, notwithstanding any entry to the contrary upon any of its books and records. The Borrower shall remain liable to KCL for any deficiency. Any surplus remaining after the full payment and satisfaction of the Secured Obligations shall be returned to the Borrower or to whomsoever a court of competent jurisdiction shall determine to be entitled thereto.

7. Preservation and Disposition of Collateral. KCL shall have the duty to exercise reasonable care in the custody and preservation of any Collateral in its possession which duty shall be fully satisfied if KCL maintains safe custody of such Collateral. Except as hereinabove specifically set forth, KCL shall not be deemed to assume any other responsibility for, or obligation or duty with respect to, any Collateral, or its use, of any nature or kind, or any matter or proceedings arising out of or relating thereto, including, without limitation, any obligation or duty to take any action to collect, preserve or protect its or the Borrower's rights in the Collateral or against any prior parties thereto, but the same shall be at the Borrower's sole risk and responsibility at all times. Borrower hereby releases KCL from any claims, causes of action and demands at any time arising out of or with respect to this Security Agreement, the Secured Obligations, the Collateral and its use and/or any actions taken or omitted to be taken by KCL with respect thereto, and the Borrower hereby agrees to hold KCL harmless from and with respect to any and all such claims, causes of action and demands. KCL's prior recourse to any Collateral shall not constitute a condition of any demand, suit or proceeding for payment or collection of the Secured Obligations. No act,

omission or delay by KCL shall constitute a waiver of its rights and remedies hereunder or otherwise. No single or partial waiver by KCL of any default or right or remedy which it may have shall operate as a waiver of any other default, right or remedy or of the same Default, right or remedy on a future occasion. The Borrower hereby waives presentment, notice of dishonor and protest of all instruments included in or evidencing any Secured Obligations or Collateral, and all other notices and demands whatsoever (except as expressly provided herein). In its discretion, KCL may discharge taxes and other encumbrances at any time levied or placed on any of the Collateral, make repairs thereto and pay any necessary filing fees. The Borrower agrees to reimburse KCL on demand for any and all expenditures so made. KCL shall have no obligation to the Borrower to make any such expenditures, nor shall the making thereof relieve the Borrower of any default.

8. Continuing Agreement. This Agreement shall be a continuing agreement in every respect and shall remain in full force and effect until all of the Secured Obligations have been fully paid and satisfied and any commitments thereunder or with regard thereto shall have terminated. Upon such termination of this Agreement, KCL shall, upon the request and at the expense of the Borrower, forthwith release all of its liens and security interests hereunder. Notwithstanding the foregoing all releases and indemnities provided hereunder shall survive termination of this Agreement.

9. Notices. Except as otherwise expressly provided herein, all notices and other communications shall have been duly given and shall be effective (i) when delivered, (ii) when transmitted via telecopy (or other facsimile device) to the number set out below, (iii) the day following the day on which the same has been delivered prepaid to a reputable national overnight air courier service, or (iv) the day on which such notice is signed for when the same is sent by certified or registered mail, postage prepaid, in each case to the respective parties at the address set forth above or at such other address as such party may specify by written notice to the other parties.

10. Amendments; Waivers; Modifications. This Agreement and the provisions hereof may not be amended, waived, modified, changed, discharged or terminated except with the prior written consent of both the Borrower and KCL.

11. Successors in Interest. This Agreement shall create a continuing security interest in the Collateral and shall be binding upon the Borrower, its successors and assigns and shall inure, together with the rights and remedies of KCL hereunder, to the benefit of KCL and its successors and assigns; provided, however, that the Borrower may not assign its rights or delegate its duties hereunder without KCL's prior written consent. To the extent permitted by law, the Borrower hereby releases KCL, and its successors and assigns, from any liability for any act or omission relating to this Agreement or the Collateral, except for any liability arising from KCL's gross negligence or willful misconduct.

12. Counterparts. This Agreement may be executed in any number of counterparts, each of which where so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. It shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

13. Headings. The headings of the sections and subsections hereof are provided for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

14. Governing Law and Consent to Jurisdiction. THIS SECURITY AGREEMENT AND THE OBLIGATIONS SHALL BE GOVERNED IN ALL RESPECTS BY THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS EXECUTED AND TO BE PERFORMED IN SUCH STATE. THE PARTIES HEREBY CONSENT TO THE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND OF ANY FEDERAL COURT LOCATED IN SUCH STATE IN CONNECTION WITH ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THE LOAN DOCUMENTS, INCLUDING THE NOTE, THIS SECURITY AGREEMENT OR THE COLLATERAL, OR ANY OTHER LOAN AGREEMENT AND CONSENT TO VENUE IN THE COUNTY OF ALBANY. TO THE EXTENT PERMITTED BY APPLICABLE LAW, BORROWER HEREBY WAIVES ALL DEFENSES, RIGHTS OF SETOFF AND RIGHTS TO INTERPOSE COUNTERCLAIMS OF ANY NATURE.

Borrower's Initials MB  
for PREL

15. Severability. If any provision of any of this Agreement is determined to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions shall remain in full force and effect and shall be construed without giving effect to the illegal, invalid or unenforceable provisions.

16. Entirety. This Agreement together with the other Loan Agreements represent the entire agreement of the parties hereto and thereto, and supersede all prior agreements and understandings, oral or written, if any, including any commitment letters or correspondence relating to the Loan Agreements or the transactions contemplated herein and therein.

17. Survival. All representations and warranties of the Borrower hereunder shall survive the execution and delivery of this Agreement and the other Loan Agreements.

18. Other Security. To the extent that any of the Secured Obligations are now or hereafter secured by property other than the Collateral, or by a guarantee, endorsement or property of any other person, then KCL shall have the right to proceed against such other property, guarantee or endorsement upon the occurrence of a default hereunder, and KCL shall have the right, in its sole discretion, to determine which rights, security, liens, security interests or remedies KCL shall at any time pursue, relinquish, subordinate, modify or take any other action with respect thereto, without in any way modifying or affecting any of them or any of KCL's rights or the Secured Obligations under this Agreement or under any other of the Loan Agreements.

19. Railcar Addendum. The Addendum to Security Agreement (Railcars) shall become a part of this Agreement and is incorporated herein by reference. To the extent that there is any conflict between the terms of such Addendum and the provisions of this Agreement, the terms of the Addendum shall control.

**IN WITNESS WHEREOF**, Borrower, intending to be legally bound, has caused this Security Agreement to be duly executed under seal on the day and year first above written.

**Borrower:**

Pioneer Railroad Equipment Co., Ltd.

By: 

Name:

Title:

CEO

**Bank:**

KeyCorp Leasing Ltd.

By: \_\_\_\_\_

Name:

Title:

STATE OF ILLINOIS )  
 ) ss.  
COUNTY OF PERIA )

On this 28th day of NOVEMBER, 1995, before me the subscriber personally appeared, GUY L. BRENNAN, who being by me duly sworn, did depose and say; that he/she resides at 1318 S JOHANSON ROAD, PERIA, IL 61607, that he/~~she~~ is CEO of Pioneer Railroad Equipment Co., Ltd., the corporation described in and which executed the foregoing instrument on behalf of said corporation and that he/she was authorized to do so by the Board of Directors.



Kevin L. Williams  
NOTARY PUBLIC

My Commission Expires: 3-29-98

15. Severability. If any provision of any of this Agreement is determined to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions shall remain in full force and effect and shall be construed without giving effect to the illegal, invalid or unenforceable provisions.

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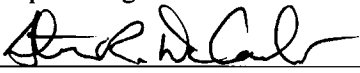
**Borrower:**

Pioneer Railroad Equipment Co., Ltd.

By: \_\_\_\_\_  
Name:  
Title:

**Bank:**

KeyCorp Leasing Ltd.

By:   
Name:  
Title: Steven R. DeCarlo  
Project Administration Manager

STATE OF New York )  
 ) SS:  
COUNTY OF Albany )

On this 30 day of November, 1998, before me the subscriber personally appeared Steven R. DeCarlo, who being by me duly sworn, did depose and say; that he/she resides at 6054 State St Albany NY, that he/she is a Contract Administrator mgr of **KeyCorp Leasing Ltd.** the corporation described in and which executed the foregoing instrument;; and that he signed his name thereto by order of the Board of Directors of said corporation.

Mark P. Maraglio  
NOTARY PUBLIC  
My Commission Expires:

MARK P. MARAGLIO  
Notary Public, State of New York  
No. 4643412  
Qualified in Greene County  
Commission Expires March 30, 1999

Schedule 1

DESCRIPTION OF COLLATERAL

VENDOR:

NORFOLK & WESTERN RAILWAY COMPANY

QTY

75

EQUIPMENT DESCRIPTION

USED HOPPER CARS

172767, 172373, 172374, ~~172375~~, 172381, 172385, 172387, 172389, 172390, 172393,  
172395, 172400, 172403, 172406, 172410, 172415, 172418, 172426, 172428, 172435,  
172436, 172437, 172438, 172441, 172444, 172459, 172462, 172463, 172466, 172467,  
172468, 172484, 172493, 172497, 172525, 172527, 172534, 172537, 172538, 172542,  
172550, 172552, 172562, 172565, ~~172566~~, 172576, 172577, 172579, 172584, 172585,  
172587, 172598, 172611, 172613, 172636, 172640, 172641, 172642, 172643, 172647,  
172649, 172650, 172658, 172663, 172666, 172668, 172676, 172690, 172701, 172722,  
172732, 172735, 172737, 172743, 172764, 172407, 172571

The cars listed will be remarked "ALAB"

Exhibit A

**CHIEF EXECUTIVE OFFICE**

Borrower's Chief Executive Office is:

Pioneer Railroad Equipment Co., Ltd.  
1318 South Johanson Road  
Peoria, Illinois 61607

\_\_\_\_\_  
\_\_\_\_\_  
*J. Michael Carr - CFO*  
\_\_\_\_\_

Permitted Sublessees

<u>Lessee Name &amp; Address</u>	<u>Affiliate?</u> <u>(Y/N)</u>	<u>Item #'s of</u> <u>Collateral</u>	<u>Lease</u> <u>Term</u>	<u>Standard Form Lease?</u> <u>(Y/N)</u>
*Alabama & Florida Railway Co.	Y	Up to 75	Month to Month	Y
*Alabama Railroad Co.	Y	Up to 75	Month to Month	Y
*Decatur Junction Railway Co.	Y	Up to 75	Month to Month	Y
*Fort Smith Railroad Co.	Y	Up to 75	Month to Month	Y
*Minnesota Central Railroad Co.	Y	Up to 75	Month to Month	Y
*Mississippi Central Railroad Co.	Y	Up to 75	Month to Month	Y
*Vandalia Railroad Co.	Y	Up to 75	Month to Month	Y
*West Michigan Railroad Co.	Y	Up to 75	Month to Month	Y
*Wabash & Western Railway Co.	Y	Up to 75	Month to Month	Y
 ConAgra, Inc. One ConAgra Drive Omaha, NE 68102-5001	 N	 Up to 75	 6 Months	 Y

\*1318 S. Johanson Rd., Peoria, IL 61607

**Exhibit B**

**PERMITTED LIENS**

None